



## ANNUAL REPORT 1999



# Lafarge Canada Inc.

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## CONSOLIDATED FINANCIAL HIGHLIGHTS

Years Ended December 31

(in millions of Canadian dollars)

|                                       | 1999       | 1998       | % change |
|---------------------------------------|------------|------------|----------|
| Sales .....                           | \$ 1,383.7 | \$ 1,322.1 | 5        |
| Income from operations .....          | \$ 215.5   | \$ 216.4   | —        |
| Net income .....                      | \$ 142.1   | \$ 150.4   | (5)      |
| Funds generated from operations ..... | \$ 128.1   | \$ 248.1   | (48)     |
| Working capital .....                 | \$ 652.6   | \$ 588.5   | 11       |
| Capital expenditures .....            | \$ 161.2   | \$ 168.7   | (4)      |
| Return on sales .....                 | 10.3%      | 11.4%      |          |

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## CORPORATE PROFILE

The parent company of Lafarge Canada Inc. and its subsidiaries (the "Corporation") is U.S. based Lafarge Corporation, which is North America's largest diversified supplier of building materials. Lafarge Corporation's majority shareholder is Lafarge S.A. of Paris, France. The Lafarge Group is a world leader in building materials with operations in more than 65 countries. The Corporation has three main operating segments: construction materials, cement and gypsum.

### CONSTRUCTION MATERIALS

The Corporation is the only supplier of ready-mixed concrete and construction aggregates that has operations extending from coast-to-coast. More than 300 local businesses offer customers an extensive line of construction materials, consisting primarily of crushed stone, sand, gravel and other aggregates; ready-mixed concrete; concrete products such as pipes, bricks, blocks, paving stones and utility structures; asphalt paving and road construction services.

### CEMENT

The Corporation is the largest supplier of cement in Canada. The Corporation's portland, masonry, mortar and specialty cements are used in all aspects of residential, commercial and public works construction. The Corporation is also a leading supplier of cementitious materials such as fly ash, slag and silica fume, which supplement cement in concrete mixes. The Corporation operates seven cement plants in Canada and is the only producer serving principal markets from coast-to-coast.

### GYPSUM

In early 1999, the Corporation acquired a gypsum wallboard and a polystyrene manufacturing plant in Newfoundland and a joint compound facility in Quebec. Our entrance into the gypsum business represents a natural extension of the Corporation's existing lines of business.

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## TABLE OF CONTENTS

|                                            |    |
|--------------------------------------------|----|
| Report to Shareholders                     | 1  |
| Consolidated Financial Statements          | 3  |
| Notes to Consolidated Financial Statements | 7  |
| Auditors' Report                           | 19 |
| Directors and Corporate Officers           | 20 |
| General Information                        | 21 |

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## REPORT TO SHAREHOLDERS

Lafarge Canada Inc.'s net income was \$142.1 million in 1999 compared with \$150.4 million in 1998, a decrease of 5 percent. The decrease was primarily a result of lower sales volumes from the cement operations in Western Canada due to the continued weakness in economic conditions in British Columbia and the prairie provinces. In addition, interest income declined by \$9 million due to lower average short-term investment balances. These were partially offset by gains from most of our construction materials and cement operations in Eastern Canada. Additionally, improved pricing and increased efficiencies throughout Canada helped offset the weakness in the economies of Western Canada.

In the sections that follow, a review of 1999 operations and a short-term outlook are presented. The information contained in this Annual Report focuses only on the operations of Lafarge Canada Inc. Shareholders should direct their attention to the Annual Report of Lafarge Corporation for information on the consolidated results of the North American Group.

### Review of Operating Results

#### *Construction Materials*

Operating income from construction materials increased by 2 percent from 1998. Ready-mixed concrete volumes increased by 1 percent in 1999. Shipments in the East improved 13 percent, partially offset by a reduction in the prairie provinces and British Columbia. Aggregate sales volumes were 3 percent ahead of 1998 levels. Volumes in Eastern Canada increased by 9 percent. Partially offsetting this gain was an 8 percent decline in Western Canada primarily due to the weak economic conditions in British Columbia.

Average selling prices for ready-mixed concrete were slightly higher in the East and improved 7 percent in the West. Average selling prices for aggregates improved by 7 percent in the East and improved only slightly in the West.

#### *Cement*

Operating income from cement decreased by 5 percent from 1998. Cement shipments in 1999 increased by 1 percent to 2.9 million tonnes. Shipments in the East increased 7 percent while the West decreased 6 percent. Average net sales prices increased 3 percent with improvements across the country. These gains were offset by costs associated with the implementation and integration of the new Cement Manufacturing Information Systems and increased consulting fees due to the Year 2000 Program.

Clinker production increased 4 percent from 1998 mainly due to higher clinker production at five of the seven cement plants. The most significant increases came from the kiln expansion at the Richmond, British Columbia cement plant and production from previously idle kilns at the Brookfield, Nova Scotia and Woodstock, Ontario plants.

One of the highlights of 1999 was the successful start-up of our newly modernized cement plant outside of Vancouver, in Richmond, British Columbia. In the first month of operations, the start-up team reached the plant's initial capacity objectives of 2,700 tonnes per day. The modern Richmond facility will be capable of producing an additional 438,000 tonnes of cement, at a substantially lower production cost than before.

#### *Gypsum*

On January 1, 1999, the Corporation acquired Atlantic Group Ltd., a supplier of wallboard and polystyrene in Newfoundland. Capitalizing on Lafarge's well-established brand presence in Quebec and the Maritimes, the cement sales team was able to develop new markets for the plant, which has been operating considerably below capacity before being acquired. As a result, the plant was able to more than triple its production to 8 million square meters. With a number of capital upgrade projects, we have established an objective of making the plant a key supplier in the eastern Canada market.

The acquisition last April of Cell-Tex, a joint compound manufacturer based in Quebec, helped to supplement Lafarge Gypsum's product offering, supporting the Corporation's objectives of becoming a preferred supplier to its expanding customer base.

### Capital Expenditures and Acquisitions

Capital expenditures and acquisitions in 1999 amounted to \$179.0 million. The principal outlay was for finalizing work on the construction of the new state-of-the-art cement plant to replace the existing facilities in Richmond, British Columbia.

Other outlays in 1999 in construction materials were for the acquisition of ready-mix concrete plants and aggregate operations; and the ongoing modernization of the construction materials mobile equipment fleet.

In gypsum, acquisition and upgrade costs for the wallboard and polystyrene plant in Corner Brook, Newfoundland and the acquisition costs of the joint compound manufacturer in Chambly, Quebec, amounted to \$15.8 million.



## Changeover to the Year 2000

Although the Corporation has transitioned into the new millennium without experiencing any significant Year 2000 problems, it is possible that the full impact of the Year 2000 date change has not been fully recognized. For example, it is possible that Year 2000 or similar issues (i.e. Year 2000 leap year related problems) may occur with billing, payroll, or monthly, quarterly or year-end financial closings.

## Outlook

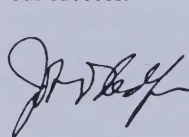
A continued strong Canadian economy is expected. A number of factors are contributing to this including a strong U.S. market, the pick-up in growth across Europe and Asia and the turn around in primary commodity prices in response to firmer world economic activity.

In the west, prospects are better than last year even though the agricultural sector remains soft. With petroleum inventories in the world's most developed countries hitting a two-year low at the end of 1999, the oil and natural gas sector was gearing up to increase exploration activity significantly in 2000, which would stimulate consumption of our products in the western provinces. A rebound in exports to Asia also should help the stagnant British Columbia economy recover.

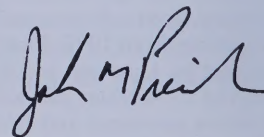
In the east, some important sectors of construction should continue to remain strong in 2000-nonresidential and government construction in Ontario, for example, and large civil works projects in Quebec. We intend to continue our efforts of introducing additional value-added cementitious products to these markets, with the expectation of improved margins and higher volumes. The market for our precast concrete products businesses in Ontario continues to be good, allowing for the prospect of price increases.

In addition, Federal and Provincial transport ministers have agreed to develop a National strategy for revitalising Canadian highways. As a result, construction spending is anticipated to rise and to that end, both the construction materials and cement businesses expect shipments and average selling prices to increase. The outlook for the new Canadian gypsum operations is also positive.

In closing, we would like to thank several groups who made 1999 a very good year, our dedicated and talented employees whose hard work is evidenced by our favourable results and our customers, for their support and confidence throughout the year. As well, we would like to thank our shareholders for their continued commitment to our success.



John D. Redfern  
Chairman of the Board



John M. Piecuch  
President and  
Chief Executive Officer

Statements made in this Annual Report to Shareholders that are not historical facts are forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions ("Factors") which are difficult to predict. The Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: the cyclical nature of the Corporation's business; national and regional economic conditions in Canada and the U.S.; Canadian currency fluctuations; seasonality; levels of construction spending in major markets; supply/demand structure of the industry; competition from new or existing competitors; unfavourable weather conditions during peak construction periods; and changes in and implementation of environmental and other governmental regulations.

In general, the Corporation is subject to the risks and uncertainties of the construction industry. The forward-looking statements are made as of this date, and the Corporation undertakes no obligation to update them, whether as a result of new information, future events or otherwise.

## CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31

(in thousands of Canadian dollars)

|                                                                   | 1999                | 1998                |
|-------------------------------------------------------------------|---------------------|---------------------|
| <b>Sales</b> .....                                                | <b>\$ 1,383,719</b> | <b>\$ 1,322,117</b> |
| Costs and operating expenses:                                     |                     |                     |
| Cost of sales and other operating expenses .....                  | 965,733             | 923,015             |
| Amortization and depletion (excluding goodwill amortization)..... | 71,073              | 65,314              |
| Selling and administrative .....                                  | 126,726             | 112,644             |
| Research and development .....                                    | 4,685               | 4,714               |
| Total costs and operating expenses .....                          | 1,168,217           | 1,105,687           |
| <b>Income from operations</b> .....                               | <b>215,502</b>      | <b>216,430</b>      |
| Interest income, net (Note 8).....                                | 9,229               | 21,925              |
| Gain on sale of assets .....                                      | 5,142               | 5,016               |
| Income before the undernoted items .....                          | 229,873             | 243,371             |
| Income taxes (Note 9) .....                                       | 88,484              | 92,944              |
| Income before goodwill amortization and equity earnings.....      | 141,389             | 150,427             |
| Goodwill amortization, net .....                                  | 1,052               | 1,637               |
|                                                                   | 140,337             | 148,790             |
| Equity in earnings of associated companies, net (Note 10) .....   | 1,799               | 1,569               |
| <b>Net income</b> .....                                           | <b>\$ 142,136</b>   | <b>\$ 150,359</b>   |

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years Ended December 31

(in thousands of Canadian dollars)

|                                                   | 1999                | 1998                |
|---------------------------------------------------|---------------------|---------------------|
| <b>Balance at beginning of year</b> .....         | <b>\$ 1,145,684</b> | <b>\$ 1,005,171</b> |
| Net income .....                                  | 142,136             | 150,359             |
| Dividends on exchangeable preference shares ..... | (7,777)             | (9,846)             |
| <b>Balance at end of year</b> .....               | <b>\$ 1,280,043</b> | <b>\$ 1,145,684</b> |

See Notes to Consolidated Financial Statements



# Lafarge Canada Inc.

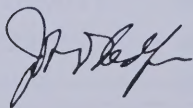
## CONSOLIDATED BALANCE SHEETS

As at December 31

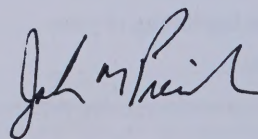
(in thousands of Canadian dollars)

|                                                          | 1999                | 1998                |
|----------------------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                            |                     |                     |
| <b>Current assets:</b>                                   |                     |                     |
| Cash and cash equivalents .....                          | \$ 249,554          | \$ 369,995          |
| Short-term investments .....                             | 132,331             | 26,121              |
| Accounts receivable .....                                | 266,559             | 222,043             |
| Inventories (Note 2) .....                               | 175,566             | 154,608             |
| Income tax receivable .....                              | 3,806               | —                   |
| Other current assets.....                                | 15,821              | 23,410              |
| Future income taxes (Note 9) .....                       | 12,874              | 13,781              |
|                                                          | <b>856,511</b>      | <b>809,958</b>      |
| <b>Investments and other assets:</b>                     |                     |                     |
| Long-term receivables and other .....                    | 35,159              | 44,564              |
| Investments in associated companies (Note 10) .....      | 12,336              | 11,644              |
|                                                          | <b>47,495</b>       | <b>56,208</b>       |
| <b>Property, plant and equipment, net (Note 3) .....</b> | <b>825,792</b>      | <b>726,990</b>      |
| <b>Prepaid pension and intangible assets:</b>            |                     |                     |
| Prepaid pension asset (Note 12) .....                    | 46,803              | 40,327              |
| Goodwill, net (Note 4) .....                             | 19,160              | 24,699              |
|                                                          | <b>65,963</b>       | <b>65,026</b>       |
| <b>Total assets .....</b>                                | <b>\$ 1,795,761</b> | <b>\$ 1,658,182</b> |

On behalf of the Board:



John D. Redfern  
Chairman of the Board



John M. Piecuch  
President and  
Chief Executive Officer

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Current liabilities:

|                                                  | 1999           | 1998           |
|--------------------------------------------------|----------------|----------------|
| Bank overdraft .....                             | \$ 17,335      | \$ 3,409       |
| Accounts payable and accrued liabilities .....   | 186,429        | 192,363        |
| Income taxes payable .....                       | —              | 24,305         |
| Current portion of long-term debt (Note 5) ..... | 181            | 1,346          |
|                                                  | <u>203,945</u> | <u>221,423</u> |

|                               |        |       |
|-------------------------------|--------|-------|
| Long-term debt (Note 5) ..... | 10,804 | 4,729 |
|-------------------------------|--------|-------|

|                                    |        |        |
|------------------------------------|--------|--------|
| Future income taxes (Note 9) ..... | 92,963 | 88,810 |
|------------------------------------|--------|--------|

|                                            |        |        |
|--------------------------------------------|--------|--------|
| Other long-term liabilities (Note 6) ..... | 70,762 | 61,045 |
|--------------------------------------------|--------|--------|

|                         |                |                |
|-------------------------|----------------|----------------|
| Total liabilities ..... | <u>378,474</u> | <u>376,007</u> |
|-------------------------|----------------|----------------|

### Commitments and contingent liabilities (Note 11)

### Shareholders' equity:

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Capital stock – (Note 7)             |           |           |
| Exchangeable preference shares ..... | 37,782    | 109,043   |
| Common shares .....                  | 72,614    | 600       |
| Contributed surplus .....            | 26,848    | 26,848    |
| Retained earnings .....              | 1,280,043 | 1,145,684 |

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Total shareholders' equity ..... | <u>1,417,287</u> | <u>1,282,175</u> |
|----------------------------------|------------------|------------------|

|                                                  |                     |                     |
|--------------------------------------------------|---------------------|---------------------|
| Total liabilities and shareholders' equity ..... | <u>\$ 1,795,761</u> | <u>\$ 1,658,182</u> |
|--------------------------------------------------|---------------------|---------------------|

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31

(in thousands of Canadian dollars)

|                                                                   | 1999        | 1998       |
|-------------------------------------------------------------------|-------------|------------|
| <b>Cash flows from operations:</b>                                |             |            |
| Net income .....                                                  | \$ 142,136  | \$ 150,359 |
| Adjustments for:                                                  |             |            |
| Amortization and depletion (including goodwill amortization)..... | 72,330      | 67,311     |
| Future income taxes .....                                         | 16,152      | 4,952      |
| Gain on sale of assets .....                                      | (5,142)     | (5,016)    |
| Dividends from related companies .....                            | 903         | 2,318      |
| Net change in operating working capital (see below).....          | (96,588)    | 23,125     |
| Other .....                                                       | (1,738)     | 5,029      |
| Net cash provided by operations.....                              | 128,053     | 248,078    |
| <b>Cash flows from investing:</b>                                 |             |            |
| (Increase) reduction of short-term investments .....              | (106,210)   | 196,087    |
| Acquisitions .....                                                | (17,834)    | (99,974)   |
| Capital expenditures .....                                        | (161,210)   | (168,727)  |
| Proceeds on disposal of property, plant and equipment .....       | 11,993      | 20,098     |
| Other .....                                                       | 14,767      | (10,394)   |
| Net cash used for investing .....                                 | (258,494)   | (62,910)   |
| <b>Cash flows from financing:</b>                                 |             |            |
| Repayment of long-term debt .....                                 | (2,271)     | (849)      |
| Issuance of long-term debt .....                                  | 5,369       | —          |
| Dividends paid (net of reinvestments) .....                       | (7,024)     | (8,401)    |
| Net cash used for financing .....                                 | (3,926)     | (9,250)    |
| <b>Cash position</b>                                              |             |            |
| Increase (decrease) in cash.....                                  | (134,367)   | 175,918    |
| Cash at beginning of year .....                                   | 366,586     | 190,668    |
| Cash at the end of year .....                                     | \$ 232,219  | \$ 366,586 |
| <b>Cash position comprises:</b>                                   |             |            |
| Cash and cash equivalents .....                                   | \$ 249,554  | \$ 369,995 |
| Bank overdraft .....                                              | (17,335)    | (3,409)    |
| Cash at the end of year .....                                     | \$ 232,219  | \$ 366,586 |
| <b>Analysis of net change in operating working capital items:</b> |             |            |
| Accounts receivable .....                                         | \$ (45,183) | \$ 20,260  |
| Inventories.....                                                  | (18,852)    | (22,747)   |
| Other current assets.....                                         | 7,616       | (4,544)    |
| Accounts payable and accrued liabilities .....                    | (12,058)    | 40,486     |
| Income taxes payable .....                                        | (28,111)    | (10,330)   |
| Net change in operating working capital .....                     | \$ (96,588) | \$ 23,125  |

See Notes to Consolidated Financial Statements



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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31

*(in thousands of Canadian dollars unless otherwise noted)*

### **Note 1 – Summary of accounting policies**

#### **Principles of consolidation**

The consolidated financial statements include the accounts of Lafarge Canada Inc. and its majority owned subsidiary companies. The Corporation accounts for share interests between 20% and 50% of related companies by the equity method. Investments in joint ventures are accounted for by the proportionate consolidation method.

All acquisitions of a share interest in excess of 50% of subsidiary companies have been accounted for by the purchase method. The cost of the Corporation's investments in subsidiary companies is allocated to the accounts in accordance with the fair value of the underlying assets at the dates of investment.

#### **Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet dates. Translation gains and losses arising from the foreign currency transactions of monetary assets and liabilities are included in the Consolidated Statements of Income.

#### **Revenue recognition**

Revenue from the sale of cement, ready-mixed concrete, concrete blocks and pipes, aggregates, gypsum products and other products is recorded at the time of shipment to customers. Revenue from highway and street construction contracts is recognized on the basis of units of work completed. Revenue from indivisible lump-sum contracts is recognized on the percentage of completion method based on costs incurred. Provisions for losses, if any, are provided as soon as they become evident.

#### **Research and development**

The Corporation is committed to improving its manufacturing process, maintaining product quality and meeting existing and future customer needs. These objectives are achieved through various programs. Research and development costs, net of amounts allocated to Lafarge Corporation, are generally charged to expense as incurred.

#### **Cash and cash equivalents**

Cash and cash equivalents consist primarily of commercial paper and deposits with an original maturity at date of purchase of three months or less. Cash and cash equivalents are carried at cost, which approximates fair value, due to the short period of time to maturity.

#### **Short-term investments**

Short-term investments consist primarily of commercial paper and deposits with original maturities at date of purchase beyond three months and less than twelve months. Such short-term investments are carried at cost, which approximates fair value, due to the short period of time to maturity.

#### **Inventories**

Inventories consist mainly of cement, aggregates, concrete products, raw materials, supplies and repair parts and are carried at the lower of average cost, net realizable value or replacement cost.

## Note 1 – Summary of accounting policies (continued)

### Property, plant and equipment

Property, plant and equipment are carried at cost. Assets are amortized over their estimated useful lives using the straight-line method. Estimates of useful lives are periodically re-evaluated by management. Land and mineral deposits include depletable raw material. Amortization rates are the following:

|                           |                     |
|---------------------------|---------------------|
| Land and mineral deposits | units of production |
| Buildings                 | 20-25 years         |
| Plants and equipment      | 10-20 years         |
| Mobile equipment          | 4-15 years          |

### Goodwill

Goodwill, determined as the excess of cost over fair value of net assets of businesses acquired, is amortized using the straight-line method over periods not exceeding 30 years. The Corporation continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision or that the remaining balance of goodwill may not be recoverable. In evaluating potential impairment, the Corporation estimates the sum of the expected future cash flows, undiscounted and without interest charges, derived from such goodwill over its remaining life. The Corporation believes that no impairment exists at December 31, 1999.

### Pension

Pension benefit obligations are determined by independent actuaries using the accrued benefit method. Adjustments arising from plan amendments, changes in assumptions, experience gains and losses and the net transitional pension asset are amortized over the expected average remaining service life of the employee group.

### Other post retirement obligations

In addition to providing pension benefits, the Corporation currently provides life insurance and extended health care benefits for most retirees. Salaried and hourly employees become eligible for these benefits as they retire from active employment. Substantially all of the health care benefits, not covered by governmental programs, are self-insured, while life insurance benefits are provided through an insurance contract. The Corporation has recognized the cost of providing such benefits on an accrual basis.

### Income taxes

The Corporation follows Canadian Institute of Chartered Accountants Handbook Section 3465 "Income Taxes" in providing for income taxes.

### Environmental remediation liabilities

When the Corporation determines that it is probable that a liability for environmental matters has been incurred, an undiscounted estimate of the required remediation costs is recorded as a liability in the consolidated financial statements, without offset of potential insurance recoveries. Costs that extend the life, increase the capacity or improve the safety or efficiency of Corporation-owned assets or are incurred to mitigate or prevent future environmental contamination may be capitalized. Other environmental costs are expensed when incurred.

### Stock-Based Compensation

The Corporation has a stock-based compensation plan, which is described in Note 7. No compensation expense is recognized for this plan when stock is issued to employees. Any consideration paid by the employees for the purchase of stock is credited to share capital.

### Changes in accounting policy

The Corporation retroactively adopted the recommendations of the Canadian Institute of Chartered Accountants concerning the statement of cash flow. The prior year figures have been restated. The changes relate primarily to the presentation of non-cash transactions.



## Note 1 – Summary of accounting policies (continued)

### Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

## Note 2 – Inventories

Inventories consist of the following:

|                                          | 1999              | 1998              |
|------------------------------------------|-------------------|-------------------|
| Maintenance and operating supplies ..... | \$ 37,097         | \$ 27,483         |
| Raw materials and fuel .....             | 33,321            | 31,889            |
| Work in process .....                    | 9,932             | 7,915             |
| Finished goods .....                     | 95,216            | 87,321            |
|                                          | <u>\$ 175,566</u> | <u>\$ 154,608</u> |

## Note 3 – Property, plant and equipment, net

Property, plant and equipment consist of the following:

|                                                          | 1999               | 1998               |
|----------------------------------------------------------|--------------------|--------------------|
| Land and mineral deposits .....                          | \$ 163,344         | \$ 164,044         |
| Buildings .....                                          | 99,190             | 85,020             |
| Plants and equipment .....                               | 1,284,065          | 1,063,070          |
| Mobile equipment .....                                   | 319,790            | 295,052            |
| Construction in progress .....                           | 56,765             | 158,815            |
| Property, plant and equipment, at cost .....             | <u>1,923,154</u>   | <u>1,766,001</u>   |
| Accumulated depletion on land and mineral deposits ..... | (23,725)           | (22,128)           |
| Accumulated amortization on buildings .....              | (53,667)           | (51,054)           |
| Accumulated amortization on plants and equipment .....   | (766,977)          | (750,876)          |
| Accumulated amortization on mobile equipment .....       | (252,993)          | (214,953)          |
| Total accumulated amortization and depletion .....       | <u>(1,097,362)</u> | <u>(1,039,011)</u> |
| Total property, plant and equipment, net.....            | <u>\$ 825,792</u>  | <u>\$ 726,990</u>  |

## Note 4 – Acquisitions

On June 3, 1998, the Corporation acquired from its ultimate parent company, Lafarge S.A., the aggregate operations of Redland Quarries Inc. including its investment in National Slag Ltd., an aggregate producer located in Hamilton, Ontario, for a cash consideration of \$62.1 million.

The allocation of the purchase price to the fair value of the net assets acquired resulted in \$11.6 million attributed to goodwill. The goodwill is being amortized on a straight-line basis over 30 years.

# Lafarge Canada Inc.

## Note 5 – Long-term debt

Long-term debt consists of the following:

|                                                               | 1999             | 1998            |
|---------------------------------------------------------------|------------------|-----------------|
| Debt (interest rate 7.0% to 9.5%, maturity 1 to 8 years)..... | \$ 10,985        | \$ 6,075        |
| Less: Current portion .....                                   | 181              | 1,346           |
| Long-term portion .....                                       | <u>\$ 10,804</u> | <u>\$ 4,729</u> |

Principal payments on long-term debt are as follows:

|            |          |
|------------|----------|
| 2001 ..... | \$ 428   |
| 2002 ..... | \$ 6,693 |
| 2003 ..... | \$ –     |
| 2004 ..... | \$ –     |
| 2005 ..... | \$ 92    |

## Note 6 – Other long-term liabilities

Other long-term liabilities consist of the following:

|                                                | 1999             | 1998             |
|------------------------------------------------|------------------|------------------|
| Other post retirement benefits (Note 13) ..... | \$ 29,972        | \$ 27,189        |
| Non-controlling interests.....                 | 8,096            | 9,270            |
| Accrued pension liability (Note 12) .....      | 21,721           | 19,408           |
| Other .....                                    | 10,973           | 5,178            |
|                                                | <u>\$ 70,762</u> | <u>\$ 61,045</u> |

## Note 7 – Capital stock

(a) Capital structure of the Corporation consists of the following:

|                                     |            | Outstanding |            |
|-------------------------------------|------------|-------------|------------|
|                                     | Authorized | 1999        | 1998       |
| Exchangeable preference shares..... | 24,285,583 | 4,479,579   | 13,049,816 |
| Common shares .....                 | Unlimited  | 16,384,202  | 12,007,700 |

All of the outstanding common shares are owned by the parent company, Lafarge Corporation. Consequently, net earnings per share have not been calculated.

Each exchangeable preference share is entitled to a cumulative dividend equal to the Canadian dollar equivalent of the dividends declared on each share of Lafarge Corporation's common stock. They are exchangeable at any time on a one-for-one basis for shares of common stock of Lafarge Corporation and carry voting and liquidation rights that parallel the shares of common stock of Lafarge Corporation.

During the year, 8,587,331 exchangeable preference shares that were held by Lafarge Corporation were acquired by the Corporation in exchange for the issuance of 4,376,502 additional common shares. The exchangeable preference shares were valued at \$428 million with a stated capital of \$72 million and were cancelled upon receipt. The common shares were issued at a stated capital of \$72 million.



## Note 7 – Capital stock (continued)

In 1998, the Directors approved amendments to the Employee Stock Purchase Plan (“ESPP”). The ESPP permits substantially all employees to purchase through payroll deductions exchangeable preference shares of the Corporation at 90% of the lower of the beginning or end of plan year market prices. Pursuant to the amendments, the aggregate number of exchangeable preference shares available for purchase under the ESPP and the plan of the parent company shall not exceed 2,000,000 shares; further, the maximum number of exchangeable preference shares so available shall not exceed 1,000,000 shares. In 1999 and 1998, 21,085 and 24,934 shares previously held by and purchased from Lafarge Corporation by the trust administering the ESPP were acquired by employees under the plan at a price of \$44.10 and \$30.51, respectively. At December 31, 1999 and 1998, \$0.5 and \$0.4 million was subscribed for future share purchases.

The Corporation has a Dividend Reinvestment Plan which permits holders of exchangeable preference shares to receive new exchangeable preference shares issued as stock dividends in lieu of cash dividends on such shares. The exchangeable preference shares are issued under the plan at 95% of the average market price, as defined in the plan. At December 31, 1999, 185,087 (202,007 in 1998) exchangeable preference shares were reserved for issuance under the Dividend Reinvestment Plan.

(b) Share transactions for the years ended December 31 were as follows:

|                                                              | 1999        |            | 1998       |            |
|--------------------------------------------------------------|-------------|------------|------------|------------|
|                                                              | Shares      | Amount     | Shares     | Amount     |
| Exchangeable preference shares                               |             |            |            |            |
| Balance at January 1 .....                                   | 13,049,816  | \$ 109,043 | 13,020,864 | \$ 107,598 |
| Redemptions.....                                             | (8,587,331) | (72,014)   | –          | –          |
| Issued under the Dividend<br>Reinvestment Plan and ESPP .... | 17,094      | 753        | 28,952     | 1,445      |
| Balance at December 31 .....                                 | 4,479,579   | \$ 37,782  | 13,049,816 | \$ 109,043 |
| Common shares                                                |             |            |            |            |
| Balance at January 1 .....                                   | 12,007,700  | \$ 600     | 12,007,700 | \$ 600     |
| Issued .....                                                 | 4,376,502   | 72,014     | –          | –          |
| Balance at December 31 .....                                 | 16,384,202  | \$ 72,614  | 12,007,700 | \$ 600     |

## Note 8 – Interest income, net

Interest income, net for the years ended December 31 consists of the following:

|                                                          | 1999      | 1998      |
|----------------------------------------------------------|-----------|-----------|
| Interest income .....                                    | \$ 12,916 | \$ 22,320 |
| Less: Interest expense on long-term debt and other ..... | (3,687)   | (395)     |
| Interest income, net.....                                | \$ 9,229  | \$ 21,925 |

## Lafarge Canada Inc.

### Note 9 – Income taxes

Income tax expense for the years ended December 31 consists of the following:

|                                                                                                      | 1999             | 1998             |
|------------------------------------------------------------------------------------------------------|------------------|------------------|
| Current tax expense .....                                                                            | \$ 76,458        | \$ 89,631        |
| Future income tax expense relating to the<br>origination and reversal of temporary differences ..... | 12,026           | 3,313            |
| Income tax expense .....                                                                             | <u>\$ 88,484</u> | <u>\$ 92,944</u> |

Income taxes paid during the year were \$105,449 (\$98,952 in 1998).

Temporary differences and carry-forwards which give rise to future income tax assets and liabilities consist of the following:

|                                                      | 1999             | 1998             |
|------------------------------------------------------|------------------|------------------|
| <b>Future income tax assets:</b>                     |                  |                  |
| Reserves and other liabilities .....                 | \$ 18,084        | \$ 18,699        |
| Other post retirement benefits .....                 | 11,386           | 10,332           |
| Tax loss carry-forwards .....                        | 3,457            | 3,901            |
| Future income tax assets .....                       | <u>32,927</u>    | <u>32,932</u>    |
| <b>Future income tax liabilities:</b>                |                  |                  |
| Property, plant and equipment .....                  | 100,086          | 94,185           |
| Prepaid pension asset .....                          | 9,537            | 8,212            |
| Other .....                                          | 3,393            | 5,564            |
| Future income tax liabilities .....                  | <u>113,016</u>   | <u>107,961</u>   |
| <b>Future income tax liability, net</b> .....        | <u>80,089</u>    | <u>75,029</u>    |
| <b>Distributed as such:</b>                          |                  |                  |
| <b>Future income tax asset – current</b> .....       | 12,874           | 13,781           |
| <b>Future income tax liability – long-term</b> ..... | <u>\$ 92,963</u> | <u>\$ 88,810</u> |

During 1995, an agreement was reached with Canada Customs and Revenue Agency (formerly Revenue Canada Taxation) related to the pricing of certain cement sales between the Corporation and its U.S. parent, Lafarge Corporation, for the years 1984 through 1994. Under the terms of the Canada – U.S. Income Tax Convention, the agreement has been submitted to the Competent Authorities of Canada and the U.S. and is subject to adjustment. The purpose of the Competent Authorities is to reach agreement to eliminate double taxation, which is not in accordance with the Convention. The Corporation's federal tax liability for all taxation years through 1997 has been reviewed and finalized by Canada Customs and Revenue Agency.



## Note 9 – Income taxes (continued)

The reconciliation of the Corporation's effective income tax rate for the years ended December 31 consists of the following:

|                                                                              | 1999         | 1998         |
|------------------------------------------------------------------------------|--------------|--------------|
| Federal income tax rate .....                                                | 38.0%        | 38.0%        |
| Provincial income tax rates, net of federal abatement .....                  | 4.9          | 5.1          |
| Applicable tax rate .....                                                    | 42.9         | 43.1         |
| Tax incentives for manufacturing and processing and active income .....      | (6.2)        | (6.3)        |
| Surtax and large corporations tax .....                                      | 1.5          | 1.2          |
| Tax effect of expenses that are not deductible for income tax purposes ..... | 0.8          | 0.7          |
| Tax losses of prior years recognized in the year .....                       | –            | (0.4)        |
| Other items .....                                                            | (0.5)        | (0.1)        |
|                                                                              | <b>38.5%</b> | <b>38.2%</b> |

At December 31, 1999 the Corporation had tax loss carry-forwards from prior years that can be used to reduce future years taxable income. These losses have been recorded in the financial statements and expire as follows:

|            |                 |
|------------|-----------------|
| 2000 ..... | \$ 70           |
| 2001 ..... | 116             |
| 2002 ..... | 323             |
| 2003 ..... | 912             |
| 2004 ..... | 3,672           |
| 2005 ..... | 2,715           |
| 2006 ..... | 1,313           |
|            | <b>\$ 9,121</b> |

## Note 10 – Related party transactions

The Corporation's transactions with its related companies (mainly Lafarge Corporation), carried out in the ordinary course of business, consist mainly of the sale of cement and technical services and the purchase of transportation services, cement and concrete-related products. Associated companies consist of significantly influenced investees. Sales and purchases at exchange values for the years ended December 31, consist of the following:

|                      | Sales             |                   | Purchases        |                  |
|----------------------|-------------------|-------------------|------------------|------------------|
|                      | 1999              | 1998              | 1999             | 1998             |
| Lafarge Corporation  | \$ 143,883        | \$ 133,879        | \$ 14,426        | \$ 5,744         |
| Joint ventures       | 20,946            | 12,377            | 5,271            | 7,141            |
| Associated companies | 4,384             | 6,637             | 21,641           | 10,956           |
|                      | <b>\$ 169,213</b> | <b>\$ 152,893</b> | <b>\$ 41,338</b> | <b>\$ 23,841</b> |

The Corporation is a participant in a cost sharing and royalty arrangement with Lafarge Corporation and Lafarge S.A., the majority shareholder of Lafarge Corporation, for certain management, technical and research assistance. The net cost of the services to the Corporation in 1999 and 1998 amounted to \$4.7 million.

At December 31, 1999 and 1998, net accounts receivable from related companies, mainly Lafarge Corporation, amounted to \$15.8 million and \$13.9 million, respectively.

## Note 11 – Commitments and contingent liabilities

- (a) Since 1992, the Corporation along with Bertrand & Frères Construction Company Limited (“Bertrand”) and others, became a defendant in lawsuits instituted in the Ontario Court (General Division) arising from claims brought by building owners, the Ontario New Home Warranty Program and other plaintiffs regarding alleged defective concrete, fly ash and cement used in footings, foundations and floors of certain buildings. The damages claimed total more than \$65 million. The amount of the Corporation’s liability, if any, in these lawsuits is uncertain. The Corporation has denied liability and contested the lawsuits vigorously. The Corporation has also introduced claims against some of its primary and excess insurers for defence costs and indemnity, if any. The lawsuits were joined and the hearing was completed in December 1998. The matter was taken under advisement by the presiding judge and a decision is expected in 2000. In 1999, the Corporation became a defendant in a class action brought by homeowners claiming to have defective foundations poured with concrete supplied by Bertrand in the same time period as the plaintiffs in the completed trial. The number of potential members in the class action and the total amount of damages claimed are undetermined at this time. The Corporation is opposing certification of the action as a class action and will defend the claim vigorously. The Corporation believes it has insurance coverage that will respond to the defence expenses and liability, if any, in the lawsuits.

In addition, the Corporation is involved in certain other legal actions and claims. It is the opinion of management that all legal matters will be resolved without material effect on the Corporation’s Consolidated Financial Statements.

- (b) The Year 2000 Issues arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognise the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.
- (c) Minimum annual payment requirements during the next five years and thereafter under operating leases in existence at December 31, 1999 consist of the following:

| 2000     | 2001     | 2002     | 2003     | 2004     | Thereafter | Total     |
|----------|----------|----------|----------|----------|------------|-----------|
| \$ 7,473 | \$ 6,232 | \$ 4,640 | \$ 2,577 | \$ 2,135 | \$ 2,327   | \$ 25,384 |

## Note 12 – Pension plans

The Corporation and its subsidiaries have several pension plans covering substantially all employees. Annual pension costs for the Corporation’s pension plans are actuarially determined. Benefits paid under the pension plans are based generally either on years of credited service and the employee’s compensation over the last few years of employment, or years of credited service multiplied by a contractual amount. The total cost of all pension plans for 1999 and 1998 was \$7.5 million and \$7.7 million, respectively.

At December 31, 1999 the market value of pension fund assets was \$410 million. Based upon the most recent actuarial calculations, the present value of accrued pension benefits at the same date was \$347.6 million. The salary increase and interest rate assumptions used in determining the 1999 pension expense and the actuarial present value of accrued pension benefits and projected pension obligations were 4.5% and 7.35% respectively.

A long-term prepaid pension asset has been reflected in the Consolidated Balance Sheets for pension plans where the cumulative amounts contributed exceed the amounts expensed for financial statement purposes. A long-term accrued pension liability has been reflected in the Consolidated Balance Sheets for pension plans where the cumulative amounts expensed for financial statement purposes exceed the amounts contributed.

During 1992, the Corporation recorded a valuation reserve against the prepaid pension asset in the amount of \$1.9 million. In 1999 and 1998, the valuation reserve was increased by \$0.2 and \$0.9 million, respectively. This valuation reserve totalled \$4.5 million in 1999 and \$4.3 million in 1998 and is required to reflect the prepaid pension asset for two of its pension plans at their net realizable value.



### Note 13 – Post retirement benefits other than pensions

The Corporation provides certain retiree health and life insurance benefits to eligible employees upon retirement. Salaried participants generally become eligible for retiree health care benefits when they retire from active service at age 55 or later although there are some variances by plan or unit. Benefits, eligibility and cost-sharing provisions for hourly employees vary by location and/or bargaining unit. Generally, the health plans pay a stated percentage of most medical expenses reduced for any deductible, co-payment and payments made by government programs and other group coverage. These plans are unfunded. The eligible retiree's health care benefit coverage is co-ordinated with Provincial Health and Insurance Plans.

Some units have lifetime maximums, but in most cases there are no lifetime maximums. In some units, spouses of retirees have lifetime medical coverage.

Both salaried and non-salaried employees are generally eligible for life insurance benefits.

The assumed health care cost trend rate used in measuring the accumulated post retirement benefit obligation for pre-65 retirees was 8.2 percent decreasing to 5.5 percent over 7 years. For post-65 retirees, the assumed rate was 8.0 percent decreasing to 5.5 percent over 7 years. If the health care cost trend rate assumptions were increased by 1 percent, the accumulated post retirement benefit obligation as of December 31, 1999 would be increased by 14.0%. The effect of this change on the net periodic post retirement benefit cost for 1999 would be an increase of 15.7%.

The weighted average discount rate used in determining the accumulated post retirement benefit obligation was 7.35%.

The following table sets forth the plans' combined status reconciled with the accrued post retirement benefit included in the Corporation's Consolidated Balance Sheets:

|                                                            | 1999      | 1998      |
|------------------------------------------------------------|-----------|-----------|
| Accumulated post retirement benefit obligation             |           |           |
| Retirees .....                                             | \$ 17,737 | \$ 20,380 |
| Active participants .....                                  | 12,599    | 14,892    |
| Total accumulated post retirement benefit obligation ..... | 30,336    | 35,272    |
| Unrecognized net loss .....                                | (364)     | (8,083)   |
| Accrued post retirement benefit cost .....                 | \$ 29,972 | \$ 27,189 |

Net periodic post retirement benefit cost for the years ended December 31 includes the following components:

|                                                                       | 1999     | 1998     |
|-----------------------------------------------------------------------|----------|----------|
| Service cost of benefits earned during the period .....               | \$ 1,125 | \$ 865   |
| Interest cost on accumulated post retirement benefit obligation ..... | 2,198    | 2,093    |
| Unrecognized loss amortization .....                                  | 270      | 159      |
| Prior service cost amortization .....                                 | (12)     | (12)     |
| Net periodic post retirement benefit cost .....                       | \$ 3,581 | \$ 3,105 |

### Note 14 – Segmented information

During 1998, the Corporation adopted CICA Handbook Section 1701 "Segment Disclosures". The section establishes standards for reporting information about operating segments as well as related disclosures about products and geographic areas.

The Corporation's three operating segments are construction materials, cement and gypsum. The construction materials segment produces aggregates, ready-mixed concrete, concrete products (precast and prestressed components, pipes, bricks, blocks and paving stones) and asphalt. In addition, the Corporation is engaged in road building and other construction utilising many of its own products. The cement segment produces portland, masonry, mortar and speciality cements and also distributes cementitious materials such as fly ash, slag and silica fume. The gypsum segment produces wallboard, polystyrene and joint compound.

# Lafarge Canada Inc.

## Note 14 – Segmented information (continued)

The Corporation's operating segments represent separately managed strategic business units that have different capital requirements and marketing strategies.

The accounting policies of the segments are described in the summary of significant accounting policies. The Corporation evaluates performance based on profit or loss from operations before the following items: other post retirement benefit expense for retirees, goodwill amortization related to the acquisition of Redland Quarries Inc., income taxes, interest and foreign exchange gains and losses.

The Corporation accounts for intersegment and related party sales and transfers at exchange values. Revenues are attributed to Canada based on the geographic location of the assets producing the revenues. Segment information consists of the following:

|                                       | 1999                | 1998               |
|---------------------------------------|---------------------|--------------------|
| <b>Sales:</b>                         |                     |                    |
| Construction Materials                |                     |                    |
| Sales to external customers .....     | \$ 918,398          | \$ 892,886         |
| Intersegment revenues .....           | 4,096               | 3,393              |
| Related party revenues .....          | 28,386              | 20,777             |
| Cement                                |                     |                    |
| Sales to external customers .....     | 277,318             | 276,338            |
| Intersegment revenues .....           | 123,286             | 132,608            |
| Related party revenues .....          | 138,962             | 132,116            |
| Gypsum                                |                     |                    |
| Sales to external customers .....     | 18,790              | —                  |
| Related party revenues .....          | 1,865               | —                  |
| Eliminations .....                    | (127,382)           | (136,001)          |
| Total sales .....                     | <u>\$ 1,383,719</u> | <u>\$1,322,117</u> |
| <b>Income before income taxes:</b>    |                     |                    |
| Construction Materials (a) .....      | \$ 102,669          | \$ 100,215         |
| Cement (a) .....                      | 145,440             | 152,323            |
| Gypsum (a) .....                      | (1,526)             | —                  |
| Corporate and other .....             | (31,081)            | (36,108)           |
| Total income from operations .....    | <u>215,502</u>      | <u>216,430</u>     |
| Other income:                         |                     |                    |
| Construction Materials (a) .....      | 5,149               | 4,992              |
| Cement (a) .....                      | (7)                 | 24                 |
| Corporate and other .....             | 9,229               | 21,925             |
| Total income before income taxes..... | <u>\$ 229,873</u>   | <u>\$ 243,371</u>  |

(a) Excludes other post retirement benefit expense for retirees, goodwill amortization, interest and foreign exchange gains and losses.



**Note 14 – Segmented information (continued)**

|                                                                          | 1999                | 1998                |
|--------------------------------------------------------------------------|---------------------|---------------------|
| <b>Equity in earnings of associated companies:</b>                       |                     |                     |
| Construction Materials .....                                             | \$ 1,207            | \$ 1,286            |
| Cement .....                                                             | 592                 | 283                 |
| Total equity in earnings of associated companies .....                   | <u>\$1,799</u>      | <u>\$1,569</u>      |
| <b>Assets:</b>                                                           |                     |                     |
| Construction Materials .....                                             | \$ 747,909          | \$ 706,151          |
| Cement .....                                                             | 548,435             | 461,569             |
| Gypsum .....                                                             | 21,401              | —                   |
| Corporate and other .....                                                | 478,016             | 490,462             |
| Total assets .....                                                       | <u>\$ 1,795,761</u> | <u>\$ 1,658,182</u> |
| <b>Capital expenditures and acquisitions: (b)</b>                        |                     |                     |
| Construction Materials .....                                             | \$ 78,854           | \$ 109,048          |
| Cement .....                                                             | 76,435              | 128,596             |
| Gypsum .....                                                             | 15,766              | —                   |
| Corporate and other .....                                                | 10,321              | 26,911              |
| Total capital expenditures and acquisitions (b) .....                    | <u>\$ 181,376</u>   | <u>\$ 264,555</u>   |
| (b) Includes goodwill                                                    |                     |                     |
| <b>Investment in associated companies:</b>                               |                     |                     |
| Construction Materials .....                                             | \$ 8,901            | \$ 7,053            |
| Cement .....                                                             | 3,435               | 4,591               |
| Total investment in associated companies .....                           | <u>\$ 12,336</u>    | <u>\$ 11,644</u>    |
| <b>Amortization and depletion (excluding goodwill amortization):</b>     |                     |                     |
| Construction Materials .....                                             | \$ 43,965           | \$ 41,043           |
| Cement .....                                                             | 25,957              | 23,463              |
| Gypsum .....                                                             | 156                 | —                   |
| Corporate and other .....                                                | 995                 | 808                 |
| Total amortization and depletion (excluding goodwill amortization) ..... | <u>\$ 71,073</u>    | <u>\$ 65,314</u>    |

# Lafarge Canada Inc.

## Note 15 – Joint ventures

The Consolidated Financial Statements include the Corporation's proportionate interest in several joint ventures as follows:

|                                       | 1999      | 1998      |
|---------------------------------------|-----------|-----------|
| Current assets .....                  | \$ 20,347 | \$ 20,089 |
| Long-term assets .....                | 22,053    | 22,019    |
| Current liabilities.....              | 10,181    | 14,388    |
| Long-term liabilities .....           | 6,458     | 5,885     |
| Sales .....                           | 70,896    | 78,715    |
| Expenses .....                        | 68,550    | 75,878    |
| Net income .....                      | 2,261     | 4,980     |
| Funds generated from operations ..... | 5,609     | 10,809    |
| Funds used for investing .....        | (804)     | (3,040)   |
| Funds used for financing.....         | (5,532)   | (4,627)   |

## Note 16 – Financial instruments

The Corporation believes the carrying value of its financial instruments including accounts receivable, short-term investments, accounts payable, and long-term debt approximates fair value.

Financial instruments which potentially subject the Corporation to concentrations of credit risk are primarily receivables, cash equivalents and short-term investments. The Corporation performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. The allowance for non-collection of receivables is based upon analysis of economic trends in the construction industry and the expected collectibility of overall receivables. The Corporation places its cash equivalents and short-term investments in investment grade, short-term debt instruments and limits the amount of credit exposure to any one commercial issuer.

### Interest rate risk

Interest rates earned range from:

|                           |                |
|---------------------------|----------------|
| Cash and cash equivalents | 4.50% to 5.72% |
| Short-term investments    | 4.55% to 6.55% |
| Long-term receivables     | 4.50% to 9.50% |

## Note 17 – Prior year comparatives

Certain reclassifications to the prior year financial statements have been made to conform to the 1999 presentation.



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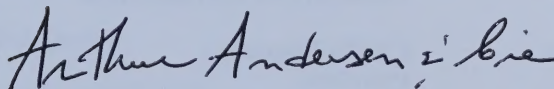
## AUDITORS' REPORT

To the Shareholders of  
Lafarge Canada Inc.:

We have audited the consolidated balance sheets of Lafarge Canada Inc. (a subsidiary of Lafarge Corporation) as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



**Arthur Andersen & Cie**  
**General Partnership**  
**Chartered Accountants**

Montréal, Québec  
January 26, 2000

**DIRECTORS**

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**John D. Redfern**  
Chairman of the Audit  
Committee of the Board  
and Chairman of the Board,  
Montréal, Québec

**John M. Piecuch**  
President and Chief  
Executive Officer,  
Reston, Virginia

**Alain Fredette**  
Secretary,  
Montréal, Québec

**Gordon H. Hawkett**  
Toronto, Ontario

**Douglas C. Hildebrand**  
Member of the Audit  
Committee of the Board  
Dundas, Ontario

**Louis G. Munin**  
Member of the Audit  
Committee of the Board  
Dallas, Texas

**Robert W. Murdoch**  
Past President and  
Chief Executive Officer,  
Alexandria, Virginia

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**CORPORATE OFFICERS**

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**EXECUTIVE OFFICERS**

**John M. Piecuch**  
President and Chief  
Executive Officer

**Edward T. Balfé**  
Executive Vice-President  
and President,  
Construction Materials

**Peter H. Cooke**  
Executive Vice-President,  
Cement

**Larry J. Waisanen**  
Executive Vice-President  
and Chief Financial Officer

**OPERATIONS SENIOR  
VICE-PRESIDENTS**

**Jean-Marc Lechêne**  
President,  
Canadian Cement Operations

**Cyrille Ragoucy**  
President,  
Lafarge Construction Materials,  
Eastern Region

**Michael J. Smith**  
President,  
Lafarge Construction Materials,  
Western Region

**Alain Bouruet-Aubertot**  
President,  
Lafarge Gypsum

**CORPORATE SENIOR  
VICE-PRESIDENTS**

**Patrick Demars**  
Corporate Technical Services

**James J. Nealis III**  
Human Resources

**OTHER CORPORATE  
OFFICERS**

**Joseph B. Sherk**  
Vice-President and  
Comptroller

**Alain Fredette**  
Secretary

**Kevin C. Grant**  
Treasurer

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## GENERAL INFORMATION

### Registrar and Transfer Agent

Montreal Trust Company  
Montreal, Toronto, Halifax,  
Winnipeg, Calgary & Vancouver

### Auditors

Arthur Andersen & Cie  
General Partnership  
Chartered Accountants

### Shareholders and Investors Information

The rights attached to the Lafarge Canada Inc. Exchangeable Preference Shares indicate that the economic interest of their holders is determinable by reference to the Consolidated Financial Statements of Lafarge Corporation. Holders of Exchangeable Preference Shares are encouraged to direct their attention to the annual report issued by Lafarge Corporation. Lafarge Corporation's Annual Report includes a Statement of Corporate Governance Practices.

### The Exchangeable Preference Shares

are listed on the Toronto Stock Exchange

#### Version française

On pourra se procurer le texte français  
de ce rapport annuel en s'adressant au  
Secrétaire de la Société,  
B.P. 490, Succ. «B», Montréal, Québec  
H3B 3K3



